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Local Control Funding Formula (LCFF)

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Susan Bonilla, Chair





Overall Structure of LCFF Remains the Same

Local Control Funding Formula for School Districts ^a	
Formula Component	Proposal
Target base grant (per ADA)	<ul style="list-style-type: none"> • K-3: \$6,342 • 4-6: \$6,437 • 7-8: \$6,628 • 9-12: \$7,680
Supplemental funding (per EL/LI)	<ul style="list-style-type: none"> • 35 percent of base grant.
Concentration funding	<ul style="list-style-type: none"> • Each EL/LI student above 50 percent of enrollment generates an additional 35 percent of base grant.
“Add-on” grade-span funding (per ADA)	<ul style="list-style-type: none"> • K-3: 11 percent of base grant. • 9-12: 2.8 percent of base grant.
Other add-on funding	<ul style="list-style-type: none"> • Locks in existing Targeted Instructional Improvement Block Grant and Home-to-School Transportation district-level allocations and provides as permanent add-ons to new formula.
<p>^a Also applies to charter schools. ADA = average daily attendance; EL = English learner; and LI = low-income.</p>	



May Revision Contains a Few Minor Changes to Formula



Two Adjustments Affect English Learner and Low-Income (EL/LI) Student Funding

- EL students would qualify for supplemental funds for seven rather than five years.
- EL/LI student counts would be based on a three-year rolling average rather than the prior-year counts.



Direct Funding for Joint Powers Authorities (JPAs) Provided for Two Transitional Years

- Affects JPAs currently administering Regional Occupational Centers and Programs and Home-to-School Transportation programs.



LAO Assessment of Revised Formula

- May Revision Changes to Formula Are Reasonable, but January Components Were Equally Reasonable**

- Concerns Regarding Other Elements of the Proposal Remain, Continue to Recommend:**
 - Including Targeted Instructional Improvement Block Grant and Home-to-School Transportation funding in new formula.
 - Targeting concentration funding to districts with highest concentration of EL/LI students.
 - Rejecting K-3 and high school supplements.
 - Minimizing historical advantages for basic aid districts.
 - Maintaining basic requirements for facility maintenance.



Fiscal Accountability

- Categorical Programs Typically Are Subject to Annual Auditing to Ensure Districts Use Funds Appropriately**
 - Since 2009, categorical flexibility removed spending and auditing requirements from about 40 categorical programs.

- Governor's January Proposal Removed Majority of Spending and Auditing Requirements for Programs Included in LCFF**
 - Stipulated that EL/LI supplemental funds had to be used for the "primary benefit" of the students generating the funds.
 - Required districts to develop Local Control and Accountability Plans to outline how funds would be used.
 - Continued to require districts to complete annual financial and compliance audit.

- Governor's May Revision Would Increase Restrictions on the Use of EL/LI Supplements**
 - Requires that local education agencies (LEAs) spend base, supplement, and concentration grants generated by EL/LI students for the primary benefit of those students.
 - Requires that LEAs allocate supplement and concentration funds to school sites proportionally to the number of EL/LI and foster youth students at those sites.



LAO Assessment of Fiscal Accountability



May Revision Overly Cumbersome

- Reduces flexibility in spending funds.
- Precludes strategic district wide initiatives.
- Eliminates economies of scale that could be achieved at district level.
- Departs from current policy by requiring supplemental funds to follow the student to the school site. This would require a significant overhaul of how districts report expenditures (with roughly 10,000 school sites in the state and limited existing means to track spending at school-site level).
- Requires major overhaul of audit guide and practices.



Recommend Legislature Reject New Restrictions on EL/LI Supplements

- Recommend rejecting new EL/LI spending requirements.
- Recommend rejecting school-site specific requirements.



Recommend Legislature Adopt More Flexible Provisions

- Recommend general requirement that EL/LI supplemental funds be used to provide supplemental services for EL/LI students.
- Consider allowances for districts that have sites with large populations of EL/LI students to enable those sites to more efficiently deliver services to students.



Existing State and Federal Academic Accountability Systems



Both Systems Evaluate Schools Based on Academic Performance

- State system evaluates schools based on growth in Academic Performance Index (API) scores. The API scores are based on performance on standardized tests. Schools with API scores below 800 (out of 1,000) expected to meet growth targets for school and each significant student subgroup.
- Federal system evaluates schools and districts based on Adequate Yearly Progress. Schools and districts must have certain percentage of all significant student subgroups proficient on state standardized tests. Proficiency targets increase every year, such that 100 percent of students expected to be proficient in 2014.



Many State and Federal Programs Have Tried to Improve Schools and Districts

- Over the last decade, state has funded various programs for low-performing schools, including the Immediate Intervention for Underperforming Schools Program, High Priority Schools Grant Program, and Quality Education Investment Act (QEIA).
- Federal programs for low-performing schools and districts have included the Comprehensive School Reform program, Program Improvement (PI), and School Improvement Grants (SIG). As part of PI and SIG, the state has created the Statewide System of School Support (S4), School Assistance and Intervention Teams, and District Assistance and Intervention Teams (DAITs).



Considerable Funding Dedicated to Intervention Programs

- In 2012-13, California is spending more than half a billion dollars in state and federal funds on intervention programs (\$400 million on QEIA, \$66 million on SIG, \$10 million on S4, and \$32 million on DAITs).



January Proposal Relied on Current Academic Accountability System

- Governor's January Proposal Left the Current Academic Accountability System in Place**

- In Addition, Governor Required Plan to Describe How Districts Would Improve Student Outcomes**

Required Components of Proposed Local Control and Accountability Plan

Goals and Strategies for:

- ✓ Implementing the Common Core State Standards.
- ✓ Improving student achievement, graduation rates, and school performance.
- ✓ Providing services for EL students, LI students, and children in foster care.
- ✓ Increasing student participation in college preparation, advanced placement, and CTE courses.
- ✓ Employing qualified teachers, providing sufficient instructional materials, and maintaining facilities.
- ✓ Providing opportunities for parent involvement.

Analysis of:

- ✓ Student achievement.
- ✓ Progress made in implementing goals since the prior year.

Cost Projections for:

- ✓ Implementing the plan.
- ✓ Meeting needs of EL, LI, and foster students (projected costs must equal amount of supplemental funds received for those groups).

EL = English learner; LI = lower income; and CTE = career technical education.



May Revision Increases Academic Accountability

Governor's Proposed Academic Accountability Plan

Standard Annual County Review

Applies to: all districts.

County superintendent may:

- Seek clarification about the contents of a district's LCAP.
- Recommend changes to a district's LCAP.

Responding to Procedural Errors

Applies to: districts that do not follow the proper procedures for developing and adopting an LCAP.

County superintendent:

- Shall identify concerns and disapprove a district's LCAP.
- May assign an academic expert or assistance team to advise the school.

District shall:

- Revise and resubmit LCAP.

Responding to Poor Academic Performance

Applies to: districts that fail to meet API targets for two consecutive years or two out of the past three years and the county superintendent determines the districts' LCAPs will not lead to improved academic outcomes.

County superintendent actions and authority are the same as those for procedural errors. Similarly, districts must revise and resubmit LCAPs.

Special FCMAT Reviews

Applies to: districts subject to academic interventions listed above during two prior years and they continue to fail to meet API targets for two additional years.

FCMAT shall:

- Evaluate the academic condition of the district using standards and criteria adopted by SBE.
- Determine whether the county superintendent needs additional authority to effectively assist the district.
- Submit evaluation to the county superintendent, SPI, SBE, and district board.

Enhanced County Superintendent Intervention

Applies to: districts whose FCMAT evaluation determines the county superintendent requires greater authority to improve academic outcomes.

County superintendent may:

- Make changes to a district's LCAP.
- Revise a district's budget to align with LCAP.
- Exercise stay and rescind powers over district's local governing board.

Intervention at SBE and SPI Discretion: for any district with poor academic performance (as defined above), the SBE may direct the SPI to intervene directly in the district. The SPI may exercise the same authority as county superintendents under enhanced intervention.

LCAP = Local Control and Accountability Plan; API = Academic Performance Index; FCMAT = Fiscal Crisis Management and Assistance Team; SBE = State Board of Education; and SPI = Superintendent of Public Instruction.



LAO Assessment of Academic Accountability Proposal



May Revision Proposal Has Some Strengths

- Uses district fiscal accountability system as a model.
- Generally makes intervention proportional to the problems identified.
- Focuses intervention at the district level, which promotes improvements across schools and leverages district capacity.
- Generally keeps reviews and intervention at local/county level.
- Addresses issues by relying on those closest to school districts.



Proposal Has Number of Weaknesses

- Intervention appears limited to changes in district plans rather than changes to district instructional and operational practices.
- Assumes all counties should perform academic accountability activities. Capacity of county offices of education (COEs) likely varies significantly across the state.
- Empowers COEs and the Superintendent of Public Instruction (SPI) with duplicative authority and allows SPI to intervene much earlier compared to fiscal accountability system.
- Capacity of the Fiscal Crisis Management and Assistance Team (FCMAT) to oversee academic accountability unknown.
- Does not appear to replace, build upon, improve, or leverage existing intervention programs.



LAO Assessment of Academic Accountability Proposal

(Continued)



Many Related Issues Still in Flux

- Reauthorization of the Elementary and Secondary Education Act.
- Changes to the API.
- Changes to state assessments.
- Role of COEs under the Governor's COE LCFF proposal.



Recommend Legislature Adopt Basic Structure and Refine Moving Forward

- Recommend Legislature Adopt Guiding Principles for New System, Including:**
 - Having tiered interventions whereby the intervention is proportional to the extent of the academic problem.
 - Intervening at the district level.
 - Aligning interventions with federal requirements, such that districts are subject to only one set of interventions.
 - Specifying that oversight body can intervene in academic operations of a district.

- Recommend Legislature Develop Process for Selecting Special Oversight Body**
 - Direct California Department of Education (CDE) to use competitive process.
 - Model after process used to select FCMAT.
 - Redirect CDE resources to manage selection process.

- Recommend Legislature Adopt More Specific Provisions as Related Issues Are Resolved**